

Message Text

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PAGE 01 BONN 01653 01 OF 03 271944Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 COME-00 EB-08 INR-07
LAB-04 NSAE-00 SIL-01 PA-01 PRS-01 USIA-06 HEW-04
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R 271930Z JAN 77
FM AMEMBASSY BONN
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INFO AMCONSUL BREMEN
AMCONSUL FRANKFURT
AMCONSUL DUSSELDORF
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USMISSION USBERLIN
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AMEMBASSY MADRID

LIMITED OFFICIAL USE SECTION 01 OF 03 BONN 01653

E.O. 11652: N/A
TAGS: ELAB, SOCI, GW
SUBJECT: LABOR MINISTER ANNOUNCES ADDITIONAL DETAILS ON
PENSION REFORM
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PAGE 02 BONN 01653 01 OF 03 271944Z

REF: (A) BONN 01304; (B) BONN 0765; (C) BONN 20954;
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SUMMARY: LABOR MINISTER EHRENBERG HAS ANNOUNCED MORE
PARTICULARS OF THE GOVERNMENT'S PROPOSED PENSION REFORM
PROGRAM. THESE INCLUDE A MODIFICATION OF THE FORMULA

ON WHICH THE COMPUTATION OF NEW PENSIONS IS BASED AND RESTRICTIONS IN THE GRANTING OF FREE MEDICAL SERVICES TO PENSIONERS UNDER THE GERMAN "MEDICARE" PROGRAM. THE IMPACT OF THESE PROPOSALS WILL BE TO REDUCE FUTURE BENEFITS, ALTHOUGH NOT AFFECTING PRESENT STANDARDS. EVIDENCE IS GROWING -- PROTESTS BY VETERANS, FOR EXAMPLE -- THAT THE GOVERNMENT'S PIECEMEAL APPROACH TO THIS VERY SENSITIVE ISSUE MAY LEAVE THE GOVERNMENT WITH SERIOUS CREDIBILITY PROBLEMS. END SUMMARY.

1. AT A PRESS CONFERENCE ON JANUARY 24, MINISTER OF LABOR EHRENBURG PRESENTED TWO DRAFT BILLS OUTLINING PARTICULARS OF THE GOVERNMENT'S PROGRAM TO RESTORE THE FINANCIAL VIABILITY OF THE OLD AGE INSURANCE SYSTEM AND TO AMEND THE HEALTH INSURANCE SYSTEM. THIS DRAFT LEGISLATION WILL REQUIRE FORMAL APPROVAL BY THE CABINET BEFORE IT IS SUBMITTED TO THE BUNDESTAG FOR CONSIDERATION, NOW SCHEDULED FOR MID-FEBRUARY.

2. WHILE BASED ON THE PRINCIPLES ANNOUNCED BY CHANCELLOR SCHMIDT IN HIS POLICY DECLARATION ON DECEMBER 16, 1976, (REFTELS B AND C), EHRENBURG'S BILLS PROVIDE FOR A MODIFICATION OF THE FORMULA FOR THE COMPUTATION OF PENSIONS FOR ELIGIBLE WORKERS RETIRING IN 1978. UNDER THE NEW PROPOSAL, THE GENERAL COMPUTATION "BASE" (A DM AMOUNT STILL UNKNOWN) WOULD BE BASED ON THE ARITHMETIC MEANS OF THE AVERAGE ANNUAL EARNINGS OF ALL INSURED WORKERS IN THE YEARS 1975, 1976, AND LIMITED OFFICIAL USE

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PAGE 03 BONN 01653 01 OF 03 271944Z

1977, RATHER THAN USING THE YEARS 1974, 1975 AND 1976 AS REQUIRED UNDER THE OLD FORMULA. SINCE 1974 WOULD BE FACTORED OUT, THE LARGE 13 PERCENT INCREASE IN EARNINGS OF THAT YEAR WILL BE OMITTED FROM THE CALCULATION BASE. THIS MEANS IN PRACTICE THAT THE "DYNAMIC BASE" FOR THE COMPUTATION OF PENSIONS FOR RETIRING WORKERS IN 1978 WOULD BE 7.3 PERCENT HIGHER THAN THE 1977 LEVEL, RATHER THAN 8.3 PERCENT IF ORIGINAL FORMULA BASED ON EARNINGS IN 1974, 1975 AND 1976 WOULD BE USED.

THE SAME PRACTICE FOR ESTABLISHING THE COMPUTATION BASE WILL ALSO APPLY IN 1979 AND THEREAFTER. EHRENBURG ESTIMATED THAT THIS MODIFICATION WOULD SAVE THE OLD AGE INSURANCE SYSTEM ABOUT DM 50 MILLION IN 1978 ALONE.

3. EHRENBURG ALSO PROPOSED THAT THE PENSIONERS' FREE "MEDICARE" PROGRAM BE MODIFIED. WORKERS RETIRING AFTER THE EFFECTIVE DATE OF THE BILL (PROJECTED TO

BE JULY 1, 1977) WILL BE ELIGIBLE FOR FREE MEDICAL
TREATMENT UNDER "MEDICARE" ONLY IF THEY WERE SUBJECT TO
COMPULSORY HEALTH INSURANCE OR HAVE BEEN MEMBERS IN A
PUBLIC HEALTH INSURANCE FUND (VOLUNTARY OR COMPULSORY)
FOR AT LEAST 20 YEARS. RETIREES AFTER JULY 1, WHO HAVE
BEEN MEMBERS IN A PUBLIC HEALTH INSURANCE FOR LESS THAN
20 YEARS, HAVE TO MAKE THEIR OWN CONTRIBUTION TO THEIR
INSURANCE FUND AMOUNTING TO 50 PERCENT OF THE FUND'S

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PAGE 01 BONN 01653 02 OF 03 271945Z
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R 271930Z JAN 77
FM AMEMBASSY BONN
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INFO AMCONSUL BREMEN
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LIMITED OFFICIAL USE SECTION 02 OF 03 BONN 01653

GENERAL CONTRIBUTION RATE, BASED ON THEIR PENSION
AMOUNT. THIS MEANS, IN EFFECT, AN AVERAGE 6 PERCENT
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PAGE 02 BONN 01653 02 OF 03 271945Z

HEALTH INSURANCE TAX FOR THIS GROUP OF PENSIONERS.

4. ADDITIONAL PROVISIONS OF THE PENSION REFORM PROGRAM
INCLUDE:

A) THE MINIMUM CONTRIBUTIONS REQUIRED FROM VOLUNTARY
MEMBERS WILL BE INCREASED FROM DM 18 MONTHLY AT PRESENT
TO DM 36 IN 1978 AND DM 72 IN 1979. BEGINNING IN 1980,
VOLUNTARY MEMBERS MUST PAY THE SAME MINIMUM CONTRIBUTION
AS COMPULSORY MEMBERS;

B) PAYMENT OF PENSIONS TO PENSIONERS LIVING ABROAD WILL
BE LIMITED TO AMOUNTS DERIVED FROM CREDIT OBTAINED FROM
WORK IN THE FRG, DISCOUNTING THOSE PENSION COMPONENTS
BASED ON CREDIT FROM TIME WORKED OUTSIDE THE FRG;

C) CHILD ALLOWANCES WILL BE FROZEN AT THE 1976 LEVEL
AND WILL BE GRANTED ONLY TO THOSE PENSIONERS WHO HAVE
OBTAINED INSURANCE CREDIT FOR AT LEAST ONE-HALF OF
THEIR WORKING LIFE AND PAID A CERTAIN MINIMUM AMOUNT
OF CONTRIBUTIONS DEFINED AS 75 PERCENT OF THE AVERAGE
CONTRIBUTION OF ALL INSURED WORKERS;

D) BENEFITS FOR ORPHANS OVER 18 YEARS OF AGE WILL BE
CANCELLED IF THE ORPHAN'S OWN INCOME EXCEEDS DM 1,000
MONTHLY, OR REDUCED TO ONE HALF IF THE ORPHAN HAS HIS/
HER OWN INCOME RANGING BETWEEN DM 750 AND DM 1,000
MONTHLY;

E) RETROACTIVE PAYMENT OF CONTRIBUTIONS WILL BE LIM-
ITED TO ONE YEAR.

6. THE FOLLOWING AMENDMENTS WILL APPLY TO THE HEALTH
INSURANCE SYSTEM:

A) BURDENS RESULTING FROM THE IMPLEMENTATION OF THE
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PAGE 03 BONN 01653 02 OF 03 271945Z

PENSIONERS' "MEDICARE" PROGRAM WILL BE EQUALLY DISTRI-

BUTED AMONG THE VARIOUS PUBLIC HEALTH INSURANCE FUNDS
UNDER A SPECIAL "EQUALIZATION OF BURDENS' FORMULA;

B) THE CEILING FOR THE ASSESSMENT OF CONTRIBUTIONS IN
PUBLIC HEALTH INSURANCE WILL BE ESTABLISHED AT 85
PERCENT OF THE CEILING WHICH APPLIES TO THE OLD AGE
INSURANCE SYSTEM (UP FROM 75 PERCENT, TO DM 2,890 PER
YEAR);

C) PRESCRIPTION FEES FOR MEDICINE WILL BE RAISED;

D) COMPENSATION FOR THE COST OF ARTIFICIAL TEETH
WILL BE REDUCED;

E) HOSPITALIZATION RATES WILL BE SUBJECT TO REGULA-
TION UNDER A CONTRACT BETWEEN THE CARRIERS OF HOSPITALS
AND THE HEALTH INSURANCE FUNDS AND WOULD BE ORIENTED
TOWARD THE ACTUAL COSTS OF THE HOSPITALS.

7. RATHER THAN SOLVING ANYTHING, EHRENBERG'S ANNOUNCE-
MENT OF NEW PARTICULARS OF THE GOVERNMENT PROGRAM
FOR MODIFYING THE PENSION FORMULA SEEMS TO HAVE
STRENGTHENED RESISTANCE BY THE CDU/CSU OPPOSITION AND

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PAGE 01 BONN 01653 03 OF 03 271954Z
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LIMITED OFFICIAL USE SECTION 03 OF 03 BONN 01653

AROUSED PENSIONERS' ASSOCIATIONS. CDU CHAIRMAN
HELMUT KOHL CRITICIZED THE "MASSIVE MANIPULATION
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PAGE 02 BONN 01653 03 OF 03 271954Z

OF THE 1957 PENSION FORMULA" AND WARNED THAT THE "INEX-
CUSABLE ATTITUDE" OF THE GOVERNMENT AND LABOR MINISTER
EHRENBURG, EVIDENCED BY WITHHOLDING INFORMATION FROM
THE PUBLIC, DOES NOT PROVIDE ANY BASIS FOR COOPERATION.
THE ASSOCIATION OF WAR VICTIMS, DISABLED AND OLD AGE
PENSIONERS (VDK), AN ORGANIZATION WITH OVER 1 MILLION
MEMBERS, HAS ANNOUNCED A COMPREHENSIVE PROTEST
CAMPAIGN IN ORDER TO ABOLISH THE "INJUSTICES" OF THE
GOVERNMENT'S NEW PROGRAM.

8. EVEN THOUGH EHRENBURG'S PROPOSALS ARE AIMED AT
REDUCING THE DEFICITS IN THE PENSION FUNDS WHILE KEEPING
COALITION CAMPAIGN PROMISES INTACT, THE TACTICS OF
ANNOUNCING MAJOR CHANGES IN THE SYSTEM -- RESULTING IN
INCREASED BURDENS OR REDUCED BENEFITS -- PIECE BY
PIECE AND DEPICTING THEM AS "TECHNICAL AMENDMENTS"
APPEAR TO HAVE WEAKENED THE GOVERNMENT'S CREDIBILITY.
MANY ONLOOKERS ARE ASKING "WHAT NEXT"? AND SOME FDP
DEPUTIES NOW COMPLAIN THAT THEY WERE NOT CONSULTED
REGARDING THE LATEST CHANGES. ON THE OTHER HAND,
EHRENBURG IS MAKING EFFORTS TO CONSULT MORE INTENSIVELY
WITH THE DGB; HE MET WITH DGB VICE PRESIDENT
GERD MUHR ON JANUARY 25 TO DISCUSS THE NEW PARTICU-
LARS. IN ANY CASE, ANY PROPOSALS MADE NOW WILL BE
SUBJECT TO MODIFICATIONS BEFORE BEING APPROVED BY THE
CABINET AND PASSED BY THE BUNDESTAG.
STOESSEL

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Message Attributes

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Disposition Case Number: n/a
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